This Publication Brought to You Courtesy of:
LAURENCE M. SOBIN, CLU®, ChFC®
Sobin Financial Group
2100 Rachel Terrace, Suite 15
Pine Brook, NJ 07058-9329
Tel: (973) 276-9235
Fax: (973) 276-9234
Email: service@sobinfinancial.com
Web: www.sobinfinancial.com

- **Insurance** – Life, Disability, Long-Term Care, Health, Medicare Supplement
- **Planning for** – Retirement Income, Wealth Accumulation, College Education, Estates
- **Investments** – IRA's, Annuities, Mutual Funds, Professional Money Management*

An economic and investment update

THE FINANCIAL INSIDER

Securities and advisory services offered through Packerland Brokerage Services, Inc., an unaffiliated entity, Member FINRA & SIPC

Volume XXXV, Number VI

Family Foundations: Benefits Stretch beyond Charitable Giving

Many affluent individuals view the **family foundation** as a means for meeting specific philanthropic goals. For some, it also creates visible evidence of a donor's charitable intent. In addition, a family foundation may serve two unique purposes within the confines of familial walls. A foundation can assist a donor in maintaining the integrity of his or her charitable intent for many years into the future, as well as help to inspire the character, sense of community, and love of knowledge of future generations.

Establishing a Philanthropic Legacy

A family foundation allows a wealthy donor to establish a set of ground rules for future charitable work, as well as provide heirs with incentives to carry forward the donor's (and family's) philanthropic legacy. However, this can only be achieved by carefully evaluating existing and potential family relationships and implementing proper planning.

Generation after generation, the grant-making agenda of *new* board members may begin to differ from that of the *original* donor. In addition, it is equally possible that the philanthropic vigor displayed by the original donor may be lost in future years. Hence, some donors choose to include at least one "outsider" seated on the foundation's board to provide stability and objectivity. However, the involvement of outside professionals can slowly move a family foundation toward the

(Continued on page 2)

Rules of the Road for Taking an Early Retirement

Have you ever entertained thoughts of taking an early retirement? Suppose you're age 55 and could take home a pension income that amounted to 60% of your pay if you retire now. If your income is high, it may seem that you would be able to retire in reasonable comfort. However, before calling it quits, weigh all of the facts *carefully* to be sure an early retirement makes financial sense for you. Here are eight rules to consider if you're thinking about taking an early retirement:

Rule #1: Weigh the pros and cons of retiring now or in the future. Retiring at age 55 with, hypothetically, 60% of your income may seem like a good deal at first. But if you wait until full retirement age, you will have another 10 years of full earnings under your belt, along with any pay increases from promotions, merit raises, and inflation. This will provide you with more money to save for retirement, and ultimately, it may boost your Social Security and pension benefits. Also, if you consider the difference in the percentage you will receive now and in 10 years for example, 60% if you retire now versus 80% if you retire in 10 years retiring now may not seem as attractive.

Rule #2: Remember to factor inflation into your decision. If you think you could manage on 60% of your income,

(Continued on page 8)

Family Foundations: Benefits Stretch beyond Charitable Giving

(continued from page 1)

direction of a *public* foundation—something that the original donor may wish to avoid.

To alleviate these potential future problems, a donor can tie an incentive-based estate plan together with the family foundation. In doing so, the donor can create a family environment and attitude that is more consistent with the donor's goal of preserving the integrity of the foundation. Under such an arrangement, heirs are rewarded for overall participation and employment by the foundation, as well as the execution of the foundation's original mission.

Family Involvement: More Than an Incentive

Wealth certainly provides many heirs with an additional means to help meet specific goals. However, one of the greatest challenges that some heirs will face in their lifetimes is learning how to handle inherited wealth. For some parents or grandparents, teaching a child to be willing to learn complex financial subjects and management skills is an equally imposing challenge. In addition to providing a means for gaining insight into the importance of charitable giving, a family foundation can create an ideal platform for heirs to hone their financial management skills.

Heirs can be involved in a family foundation as volunteers, employees, and/or board members. As a volunteer or employee, an heir can gain valuable business management skills, as well as witness firsthand the positive impact charitable giving can have on the community. Heirs who are selected to become board members may further delve into the decision-making and grant-making process, which can foster greater accountability and further expand knowledge of financial matters.

If the donor already has several grown children who are regularly involved in the family foundation, he or she may consider making all of them board members. If this is logistically impractical, it may be wise to establish a rotating seat on the board. For instance, every two years, a different child could occupy a seat on the board.

Additionally, one might suspect that the age of a younger heir might limit his or her overall participation in the foundation. On the contrary, many donors welcome the opportunity to start heirs early when it comes to financial and philanthropic education. How young is too young? That depends on each individual set of circumstances. Generally,

twelve- and thirteen-year-olds are certainly not too young to volunteer some of their time and begin to gain an understanding of charity.

In fact, it is fairly common for many donors to encourage their entire families to participate, to some degree, in their foundation's activities. To enhance the learning experience, some donors have initiated creative methods for promoting life skills development, in addition to more traditional foundation activities. For instance, a donor could set up a contest in which each heir is responsible for managing $10,000 of the foundation's assets. After a specified period of time, all portfolios can be analyzed and discussed. Or, when younger, school-aged heirs are involved, a donor could establish an essay contest asking each heir to write about a charity they would wish to benefit. Again, all essays, when complete, can be reviewed and discussed. In both cases, modest prizes can be awarded to heirs whose portfolios yielded positive returns or whose essays were well written and topical. The benefits of such programs can be immeasurable for the participant, the donor, and ultimately, the foundation.

A Lifetime of Dividends

Without question, philanthropy is extremely important to many affluent individuals. At the same time, many wonder how they can instill in their children and/or other heirs a similar passion for philanthropic pursuits. In addition, many affluent individuals may be concerned about how they can teach future generations to handle wealth. When properly established, the family foundation can provide the means to accomplish these goals. $

Tips for Conducting Effective Job Interviews

Recruiting talented and dedicated staff is crucial to the success of any growing or established company. Yet, despite the obvious importance of bringing the right people on board, many businesses invest too little time and effort into recruiting employees who not only have the right qualifications, but who also represent a good fit for the company's culture and are likely to thrive in the position.

To help maximize the chances of attracting the best candidates, while minimizing employee turnover and improving employee satisfaction levels, consider the following tips when preparing for and conducting job interviews:

Outline the job description. Before posting the job advertisement and selecting candidates for interviews, you may want to prepare a detailed outline of the tasks and responsibilities associated with the job that can serve as a guide throughout the recruitment process. Keep in mind that a candidate who worked successfully as an office administrator for one firm may not be able to handle the duties assigned to the same job at another organization. If there are any discrepancies between the job description and the qualifications outlined in the resume, be sure to make a note of these gaps and plan to discuss them with the candidate during the interview.

Review resumes well in advance. Interviewers who are still glancing over a job candidate's resume and cover letter after the meeting has already begun are unlikely to ask thoughtful questions, and may not make a positive impression on the job candidate. Ideally, make time to read each resume well ahead of the interview, noting questions that arise and any concerns you wish to explore further with the candidate.

Avoid scheduling back-to-back interviews. While it is often more convenient for the interviewers to book meetings with a number of candidates in a block of time, scheduling several interviews in a row also has its disadvantages. Crossing paths in the waiting room with other candidates can be awkward and discouraging for jobseekers. A tight schedule can also make it difficult to give candidates additional time if needed. Worst of all, there may be confusion about which candidate said what, after interviewing assembly style.

Train in behavioral interviewing techniques. Hiring managers may believe that interviews consist of primarily asking

candidates about their previous job experiences and transferable skills in order to make a decision. However, interviewers may not be familiar with behavioral questions, which are designed by Human Resources professionals to reveal more about the candidate's attitudes, priorities, and analytical abilities than a résumé or LinkedIn profile offers. For example, rather than simply requesting that candidates outline their responsibilities in previous positions, interviewers may want to ask jobseekers to describe some past high-pressure employment situations and how they were resolved. Recruitment professionals can help interviewers learn how to pose these types of questions effectively and how to interpret the responses.

Look beyond the pedigree. Beware of hiring decisions based on the rank and prestige of the candidate's undergraduate institution, graduate school, or previous employers. While candidates who attended top-rated schools are certainly attractive, a candidate who performed well at a lesser-known college could be just as qualified and may prove to be a better fit for the company's culture.

Remember the small talk. Engaging job candidates in a few minutes of informal conversation is hardly a waste of time. Chatting with jobseekers can reveal much about their personal interests, attitudes, and circumstances. Candidates who are unable to comfortably engage in light conversation may have the technical knowledge necessary to do the job, but could lack the social skills to successfully interact with clients and co-workers.

Finding the right individuals for your staff can make a difference to your business. Be sure to prepare in advance to maximize your chances of success. $

Insurance Protection for Life's Key Stages

Whether you are just starting your career, in your peak earning years, or enjoying retirement, your insurance protection needs may change over time. **Life cycle planning** helps identify insurance needs that are common to particular stages of life. This can help individuals and families examine their insurance requirements in order to make future plans.

Starting Out

Between the ages of 25 and 35, many people are just starting out in life—getting married, establishing families, and building careers. During these years, the death of the primary breadwinner, or one partner in a dual-income couple, could seriously jeopardize a surviving spouse's or family's financial future. Young couples probably have not had time to accumulate significant assets. For those in this age group, **life insurance** can be used to help create an "instant estate." In the event of an unexpected death, a life insurance policy death benefit can provide funds to help cover a mortgage, pay for a child's college education, or maintain the family's standard of living.

The Peak Earning Years

Between the ages of 35 and 55, a family's assets may increase, therefore changing their life insurance needs. At this point, individuals owning **term policies** may want to convert to **permanent insurance**, which offers the potential for tax-deferred cash accumulation. The cash value can be accessed through a policy loan, free of taxes or penalties up to the amount paid into the policy. The loan interest rate generally is comparable to traditional lending rates. However, it is important to note that policy loans and/or withdrawals will reduce the cash surrender value and may reduce the policy's death benefit. Taking a policy loan could have adverse tax consequences if the policy terminates before the insured's death.

Another concern during this period is protecting your ability to earn income. According to the Council for Disability Awareness (2014), more than one in four people in their 20s will become disabled before retiring. Also, one in eight workers can expect to be disabled for five years or more before retirement. Since even one year of disability could easily wipe out many years of savings, you may want to consider **individual disability income insurance**. This type of insurance provides a benefit to replace a percentage of the insured's income, in the event of a qualifying disability.

To address disability concerns, some life insurance policies offer a rider called a **waiver of premium**, usually available at an additional cost. With this additional coverage, if the insured becomes disabled, the insurer picks up the cost of the premiums with no repayment required, and the insured's life insurance coverage is not affected.

Nearing Retirement

As retirement approaches, you may want to prepare strategies to minimize potential estate taxes. Life insurance offers a practical and affordable means of creating liquidity at death to help pay estate taxes. One approach is to establish an **irrevocable life insurance trust (ILIT).** When properly executed, the trust is used to purchase a life insurance policy in an amount at least equal to the projected estate taxes. The policy premiums are paid with gifts from the insured to the trust. At the insured's death, the trust provides tax-free funds to help cover the estate tax liability. To be involved in the estate planning process, you would need to work with an estate planning team, including tax and legal professionals.

The Retirement Years

Upon retirement, new concerns may arise. Personal assets that have taken years to accumulate could be quickly depleted should an individual require long-term care in a skilled nursing home facility. Most people are unaware of the actual costs associated with long-term care. According to the American Association of Retired Persons (AARP), the national average for private nursing home care is $90,500 per year. Other long term health care statistics: $248 per day for a private room in a nursing home; $222 per day for a semi-private room or more than $81,000 a year.

Although Medicare generally begins at age 65, it does not cover extended long-term care services. Medicaid is the government program designed to help those in financial need. However, individuals must "spend down" their personal assets and meet the Federal poverty guidelines before qualifying for nursing home care under Medicaid.

Long term care insurance (LTCI), if *previously* purchased, may help cover extended care expenses, including at-home, assisted living facility or nursing home care. Long-term care insurance may also help preserve assets, while easing the financial and caregiving burden on family members.

Back to the Future

An appropriate insurance protection plan can help you and your family throughout life's key stages. By understanding the concerns that are common at each life stage, you may be in a better position to anticipate future needs. $

Budget Basics for College Students

One extracurricular activity that every student can master while in college is personal money management. Typically, a student's daily spending is done on an improvised basis, meaning that overspending is often the norm rather than the exception.

It is estimated that during a school year, the average college or university student will spend over $4,000 for books, supplies, transportation, and personal expenses (*Trends in College Pricing—2014*, The College Board). However, there may be room for economizing.

While many students may assume it costs less to live off campus than in a dorm, they may be in for a surprise. In college towns with a high demand for off-campus housing, accommodations within walking distance of the campus may tend to be more expensive. Some landlords require a one-year lease—a period longer than the academic calendar year. On the other hand, off-campus students can save money by sharing housing and doing their own cooking.

Money Smarts 101

1) Before your student leaves for college, sit down and have an open discussion of mutual expectations regarding finances.

2) Consider providing a lump sum each semester, setting guidelines on how long the money must last.

3) Explain when checks or money transfers can be expected, the amount he or she will receive, and any rules concerning use of the funds.

Since most students rely on savings and checking accounts—regardless of whether it includes their parents' funds, their own, or a combination of both—it is important for them to understand how they work. The ability to balance an account and spot any errors is especially critical.

Many undergraduates tend to keep most of their funds in hometown financial institutions. However, managing personal finances long-distance can create challenges. Transferring money to college students in different locations can sometimes be frustrating. Even with the convenience of online banking, it may be a good idea to open a smaller account on campus.

While some parents may hesitate to promote the use of credit cards, especially for a student who has difficulty managing money, others may believe a credit card can provide a useful backup, especially in an emergency or for certain expenses, such as car rentals, plane fares, and railroad tickets.

Making the Grade

Ideally, college students should take charge of each semester's spending. Life becomes much easier for parents when college students can manage their own finances. Indeed, there will be cause for celebration when your student "makes the grade" in personal financial management. $

Consider Inflation When Assessing Your Insurance Coverage

When Dan and Maggie purchased their **life insurance** policies 20 years ago, they had assessed their insurance needs at the time, accounting for their home mortgage, projected college education costs of their children, and their living expenses.

Recently, as they contemplated their retirement, the couple re-evaluated their insurance needs. They were surprised to discover that their insurance coverage was inadequate. How could this be? The answer, in a word, is *inflation*.

Because inflation affects purchasing power, it may also affect life insurance needs. For Maggie and Dan, inflation means that life insurance coverage that was adequate years ago may now be insufficient. With this in mind, consider three of the more common uses for life insurance proceeds that may be affected by inflation:

Paying off your mortgage. The housing market experiences upturns and downturns, but in general, home values tend to rise over time. In addition, greater employment opportunities, dual income households, and changing family dynamics have prompted many families to move or upgrade their homes. If you have recently moved, purchased a larger home, or remodeled your home, you may want to consider increasing your life insurance to help cover larger mortgage obligations in the event of an untimely death.

Funding future college expenses. If you are planning on sending your children to college, you may be concerned about the rising costs of higher education. To be prepared for cost increases, be sure to factor inflation into your college savings strategies. In addition, have a contingency plan in the form of adequate life insurance to help provide protection in case of emergencies. Review your plan periodically, and consider increasing your coverage to reflect the anticipated *future* cost of higher education.

Maintaining your family's standard of living. Everyday costs associated with maintaining your family's lifestyle, such as groceries, clothing, gas, family vacations, and medical expenses, are affected over time by inflation. If your life insurance needs calculations are based on your current income and today's cost of goods and services, your family may not have enough to cover the future costs of these expenses in the event of your death. For a comprehensive insurance strategy, include an assessment of both your current and *future* needs, as well as overall objectives, to help your family members maintain their standard of living.

Future Projections

Determining current life insurance needs is important, but projecting how much coverage you may need in the *future* requires you to understand inflation and how it can affect your family's lifestyle. Plan to set aside time for an annual review of your coverage with a qualified professional to help ensure that your life insurance policy is keeping up with inflation. $

Getting Up to Speed as Retirement Draws Near

As you approach retirement, many important decisions await you. If you have a qualified employer-sponsored retirement plan, whether it is a traditional pension or defined contribution plan, such as a 401(k), you will have to decide how to manage the plan's proceeds once you retire. Your choice may depend on the following considerations: your current financial situation and your projected income requirements; the health and life expectancy of you and your spouse; the anticipated inflation rate; and Federal and state taxes.

Pension Payout Options

If you have a company pension plan, you will need to make some decisions about *how* you wish to receive your pension proceeds when you retire. Generally, you will be given the choice between receiving an income for the rest of your life **(single life option)**, receiving an income for the life of you and your spouse **(joint and survivorship option)**, or receiving a **lump-sum** distribution.

Each option has potential advantages and disadvantages. For instance, a single life option may pay a higher income than a joint and survivorship option. However, if you take the single payout option, income will cease upon your death, but with the joint and survivorship option, payments continue for the life of both you *and* your spouse. With both payout options, you exchange your pension balance for periodic payments.

If you prefer to maintain control over your pension assets during retirement, you might consider taking a lump-sum distribution. You can choose to receive the pension proceeds net of income taxes or roll them over into a **traditional Individual Retirement Account (IRA)**, where they can continue to grow on a tax-deferred basis. Either choice with the lump-sum distribution allows you to actively manage your own retirement assets.

Defined Contribution Plan Proceeds

If you are a participant in an employer-sponsored defined contribution plan, such as a 401(k), you must begin taking required minimum distributions (RMDs) by age 70½. Depending on the rules of your company plan, you may also have the option of taking a lump-sum withdrawal net of income taxes or rolling over the proceeds into an IRA. Either of these options requires you to actively manage your retirement assets, and there may be tax consequences. Be sure to consult with a qualified tax professional to ensure that your savings decisions are consistent with your objectives.

Shortfall Planning

For many individuals, retirement plan assets and Social Security alone will not meet retirement income needs. Therefore, personal savings are important to long-term success. Before you begin your personal savings program, you may want to maximize your allowable contributions to a tax-advantaged, employer-sponsored retirement plan.

Since there are a number of choices available and decisions to be made regarding the funding and distribution of your retirement income, it is important to regularly re-evaluate your financial strategies for reaching your goals. If you need help deciding which strategies are best for your unique circumstances, speak to a qualified financial professional for specific guidance. Remember, it's never too early to start saving for tomorrow. $

What Are Your Old Clothes Worth?

When you give four bags of old clothes to a charity, you may receive a receipt. But the value of those old clothes as a **charitable tax deduction** is left up to you to determine. How much is too much? The Internal Revenue Service (IRS) has tried to eliminate most of the guesswork by stating that you may deduct the current **fair market value (FMV)**, or whatever the clothes would fetch at a used clothing outlet.

Be sure to keep detailed records of your contributions. If you claim a deduction exceeding $500 but less than $5,000, you're required to file Form 8283, *Noncash Charitable Contributions*. In addition, if you donate items worth more than $5,000, you're generally required to have a qualified appraiser verify the value using Section B of Form 8283. $

Rules of the Road for Taking an Early Retirement

(continued from page 1)

remember that inflation will erode your pension. If you retire today and let's say you receive a pension income of $1,600 per month for life, in 20 years at a 4% rate of inflation, you'll have the equivalent of $707 in today's dollars.

Rule #3: Prepare for longevity. The longer you live, the more money you'll need in retirement. Due to increased longevity, an early retirement plan must include a budget to meet the financial needs of several decades beyond the normal retirement age of 65.

Rule #4: Evaluate other retirement income resources. If you already have a sizable nest egg, or if you expect to collect a pension from a previous employer, the amount of your *current* employer-sponsored retirement plan may not be as robust. If so, perhaps you can exit the labor force earlier because you have other sources of retirement income.

However, don't expect Social Security to provide most of your retirement income. The Social Security Administration (SSA) projects that benefits will replace about 40% of the average worker's preretirement income and retirees may need 70% or more of preretirement earnings to live comfortably (SSA, 2014). Also, since the future of Social Security and **Medicare** is uncertain, you may have to provide more funds for future health care expenses.

Rule #5: Evaluate the economics of part-time work. If you decide to leave your present job, will you be securing employment elsewhere until you permanently retire and start collecting your pension? Keep in mind that it may be difficult to find another equally high-paying position. Although the prospect of part-time work may make it possible to consider an early retirement option, be sure you can depend on a reduced part-time income until full retirement.

Rule #6: Be aware of the early retirement impact on Social Security benefits. If you are under full retirement age and continue working after you begin collecting Social Security benefits, you may have to "give back" a portion of your benefits. In addition, if you continue

working after you begin collecting Social Security, a portion of your Social Security benefits might be taxed. You can determine how much of your benefits will be included in your gross taxable income with a calculator found online at the Social Security Administration's website, www.ssa.gov.

Rule #7: Take an early retirement before downsizing or layoffs occur. Is there a chance your company will lay you off if you do not elect to leave on your own? Many companies now lay off high earners as part of their cost-cutting measures. If your company is experiencing financial difficulties and downsizing appears imminent, you may get a better deal through early retirement than through the company's severance package.

Rule #8: Understand the potential tax consequences of early retirement. If you opt for early retirement, in some cases you may incur a 10% Federal income tax penalty for early withdrawals from a qualified retirement plan. Keep in mind that withdrawals taken from an **Individual Retirement Account (IRA)** before age 59½ may also be subject to a penalty.

Early retirement may be a long-held dream and a financial possibility. But, before calling it quits, assess your situation carefully. You will have to live with the effects of your choice for the rest of your life. Take the time now to make sure it will be a smart decision in the long run. $

The information contained in this newsletter is for general use, and while we believe all information to be reliable and accurate, it is important to remember individual situations may be entirely different. The information provided is not written or intended as tax, legal, or financial advice and may not be relied on for purposes of avoiding any Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel. Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation of the purchase or sale of any securities. This newsletter is written and published by LIBERTY PUBLISHING, INC., BEVERLY, MA COPYRIGHT 2015.

D9019